GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4528
ANSWERED ON:19.12.2014
OVERDRAFT FACILITIES BY BANKS
Udasi Shri Shivkumar Chanabasappa

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) has issued or formulated any guidelines on overdraft facilities extended by banks to its customers;

(b) if so, the details thereof;

(c) if not, the reasons therefor; and

(d) the steps taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance (SHRI JAYANT SINHA)

(a) to (d): Overdraft facilities extended by banks to customers are governed by their Board approved credit policies in compliance of various directions issued by Reserve Bank of India (RBI) under section 21 of the Banking Regulation Act, 1949. RBI has informed that it advised all banks to put in place a well-defined Board approved loan policy keeping in view various regulatory guidelines. The loan policy shall lay down exposure limits to individual / group borrowers, documentation standards, margin, security, sectoral exposure limits, delegation of powers, maturity and pricing policies, factors taken into consideration for deciding interest rates etc. Banks consider different loan proposals based on their commercial judgement and merits of each case keeping in view the loan policies.